LEPELLE - NKUMPI LOCAL MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

Annual Financial Statements

for

LEPELLE - NKUMPI LOCAL MUNICIPALITY

for the year ended 3o June 2014

Province:	Limpopo
AFS rounding:	***R (i.e. only cents)***

Contact Information:

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LEPELLE - NKUMPI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2014

General information

Members of the Council

Phaahla M.V	**Mayor**
Sibanda N.G	**Speaker**
Molaba L.C	**Chief whip**
Mahlatlole M.F	Members of the Executive Committee
Mapheto N.J	Members of the Executive Committee
Mphahlele R.B	Members of the Executive Committee
Nchabeleng P.P	Members of the Executive Committee
Phosa N.B	Members of the Executive Committee
Ramakolo M.M	Members of the Executive Committee
Ramoshaba L	Members of the Executive Committee
Sehlapelo M.J	Members of the Executive Committee
Thobejane M.M	Members of the Executive Committee
Phogole M.J	Members
Mmako R.F	Members
Magongoa L.J	Members
Lechelele M.S	Members
Masopoga P.J	Members
Maseema D.M	Members
Themane M.D	Members
Ledwaba L.J	Members
Mpitso K.J	Members
Maditsi D.R	Members
Matabane M.A	Members
Leopeng C.R	Members
Vilankulu	Members
Vilankulu R.J	Members
Machete K.J	Members
Sibanda P.S	Members
Masopoga P.K	Members
Phaahla K.B	Members
Mphahlele M.R	Members
Mphahlele F.M	Members
Mashoene L.P	Members
Makgahlele M.B	Members
Ntsaone M.S	Members
Ramashaba R.S	Members
Mathabatha M.V	Members
Matsimela M.D	Members
Matjuda S.W	Members
Shogole M.W	Members
Ramalla T.A	Members
Kekana M.E	Members
Tsela F.D	Members
Thobejane M.D	Members
Mashiane M.E	Members
Thubakgale N.M	Members

Khwinana M	Members
Mokgophi N.T	Members
Mathabatha M.D	Members
Marema T.G	Members
Phaahla V.M	Members
Mphahlele L.E	Members
Machaka M.P	Members
Mphahlele M.	Members
Sibanda N.G	Members

Acting Municipal Manager

Mr.OS Mashiane

Chief Financial Officer

Ms Rosina M. Ngoveni

Grading of Local Authority

3

Auditors

Auditor-General

Bankers

First National Bank (FNB)

LEPELLE - NKUMPI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2014

General information (continued)

Registered Office:	Lebowakgomo
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LEPELLE - NKUMPI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2014

APPROVAL OF ANNUAL FINANCIAL STATEMENTS

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 35, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in note 22 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Cooperative Governance and Traditional Affairs determination in accordance with this Act.

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Acting Municipal Manager: Mr. OS Mashiane

30 August 2014

LEPELLE - NKUMPI LOCAL MUNICIPALITY
ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED
30 JUNE 2014

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APPENDICES

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	2014	2013
			R
ASSETS			
Current assets			
Cash and cash equivalents	2	108 805 865	73 729 126
Receivable from exchange transactions	3	4 804 142	6 212 749
Receivable from non-exchange transactions	4	12 445 453	30 416 890
Other receivables	5	36 265 247	1 542 727
Inventories	6	761 289	197 447
VAT receivable	7	3 912 704	8 462 336
Non-current assets			
Property, plant & equipment	8	542 651 788	509 647 476
Total assets		**709 646 488**	**630 208 751**
LIABILITIES			
Current liabilities			
Trade and other payables	10	29 688 358	42 238 936
Consumer deposits from Non Exchange Transactions	10.	1 717 836	491 226
Unspent conditional grants and receipts	11.	14 963 114	5 842 733
Current portion of finance lease obligation	12	274 546	514 020
Non-current liabilities			
Provisions	13	12 389 158	1 491 346
Finance lease liability	13	72 347	315 158
Total liabilities		**59 105 359**	**50 893 418**
Net Assets		**650 541 130**	**579 315 334**
Net Assets			
Accumulated surplus/(deficit)		650 420 458	579 315 335
		650 420 458	**579 315 335**

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE FOR THE QUARTER ENDED 30 JUNE 2014

	Note	2014 R	2013 R
REVENUE			
Service charges	14	5 301 681	4 323 583
Property rates	16	19 221 957	16 079 134
Finance income	17	6 493 851	5 212 106
Rental of facilities and equipment		212 885	156 236
Water and Sanitation Agency Fees	17	36 808 517	29 333 436
Licences and permits:Department of Transport	18	3 493 940	3 639 778
Government grants and subsidies received - operating	19	143 533 012	130 061 279
Government grants and subsidies received - capital	19	14 900 007	38 836 000
Other revenue	21	49 896 810	1 635 113
Traffic Fines		3 680 706	2 602 937
Total Revenue		**283 543 366**	**231 879 601**
EXPENDITURE			
Employee related costs	23	62 235 669	54 374 848
Remuneration of councillors	24	14 771 487	14 014 557
Bad debts		10 272 592	25 289 603
Depreciation and amortisation expense	25	32 432 854	26 078 999
Free Basic Services: Electricity		5 477 209	5 890 023
Finance cost	26	54 034	78 265
Repairs and maintenance		2 660 224	6 993 530
General expenses	28	65 615 345	49 698 385
Contracted services	27	4 112 587	3 730 955
Total Expenditure		**197 632 000**	**186 149 165**
Gain/(Loss) on disposal of assets	21	(474 623)	(14 436)
NET SURPLUS/(DEFICIT) FOR THE YEAR		**85 436 743**	**45 716 000**
		(1)	

LEPELLE - NKUMPI LOCAL MUNICIPALITY
CASHFLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 R	2013 R
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS		**187 845 460**	**199 306 435**
Taxation		19 221 957	16 079 134
Sales of goods and services		5 301 681	4 323 583
Grants		158 433 019	168 897 279
Interest received	17	3 866 631	3 950 418
Other receipts		1 022 172	7 161 473
PAYMENTS		**(118 997 369)**	**(133 574 388)**
Employee costs		77 007 156	68 389 402
Suppliers		41 936 179	65 106 721
Interest paid		54 034	78 265
Other payments			
Cash generated from / (utilized in) operations		**68 848 091**	**65 732 047**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment and other assets		**(33 580 413)**	-99 724 443
Proceeds from disposal of assets		**291 345**	(14 436)
Net cash used in investing activities		**(33 289 068)**	**(99 738 879)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings			-
(Raising)/payment of finance lease liabilities		(482 284)	323 180
Net cash used in financing activities		**(482 284)**	**323 180**
			(107 412 778)
Increase/(decrease) in cash and cash equivalents		**35 076 740**	-33 683 652
Cash and cash equivalents at beginning of the year		**73 729 126**	**107 412 778**
Cash and cash equivalents at end of June 2014		**108 805 866**	73 729 126

LEPELLE-NKUMPI LOCAL MUNICIPALITY
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED 30 JUNE 2014

	Pre GRAP Reserves & Funds	Accumulated Surplus/ (Deficit)	Total: Net Assets
	R	R	R
Balance at 30 June 2012		**430 788 150.05**	**430 788 150.05**
Correction of prior period error		107 881 128.00	107 881 128.00
Restated balance	**-**	**538 669 278.05**	**538 669 278.05**
Surplus / (deficit) on revaluation of property of property, plant and equipment			-
Correction of prior period error		(46 197 810.00)	(46 197 810.00)
Other items		(826 618.93)	(826 618.93)
Net gains and losses not recognised in the statement of financial performance			-
Transfers to / from accumulated surplus/(deficit)		(35 911.59)	(35 911.59)
Surplus / (deficit) for the period		43 666 710.84	43 666 710.84
Balance at 30 June 2013	**-**	**535 275 648.37**	**535 275 648.37**
			-
Changes in accounting policy			-
Correction of prior period error		**44 039 687.05**	44 039 687.05
Restated balance	**-**	**579 315 335.42**	**579 315 335.42**
			-
Surplus/(deficit) for the period			-
Other items		-	-
Correction of prior period error		(14 331 620.46)	(14 331 620.46)
Net gains and losses not recognised in the statement of financial performance			-
Transfers to / from accumulated surplus/(deficit)			-
Surplus / (deficit) for the period		85 436 743.06	85 436 743.06
			-
Balance at 30 June 2014	**-**	**650 420 458.02**	**650 420 458.02**

Accounting Policies

1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance in terms of General Notice 991 and 992 of 2005. These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied, are disclosed below.

These accounting policies are consistent with the previous period.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables / Held to maturity investments and/or loans and receivables

The municipality assesses its loans and receivables for impairment at each statement of financial position date. In determining whether an impairment loss should be recorded in the statement of financial performance, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Allowance for slow moving, damaged and obsolete stock

An allowance for stock to write stock down to the lower of cost or net realisable value Management have made estimates of the selling price and direct cost to sell on certain inventory items.

The write down is included in the impairment of assets note.

Fair value estimation

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the statement of financial position date. The quoted market price used for financial assets held by the municipality is the current bid price. The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the municipality for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

The municipality reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including production estimates, supply and demand, together with economic factors such as exchange rates, inflation and interest

1.1 Significant judgements and sources of estimation uncertainty

Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions is included in note 19 - Provisions.

Useful lives of waste and water network and other assets

The municipality's management determines the estimated useful lives and related depreciation charges for the waste water and water networks. This estimate is based on industry norm. Management will increase the depreciation charge where useful lives are less than previously estimated useful lives.

Post-retirement benefits

The present value of the post retirement obligation depends on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the net cost (income) include the discount rate. Any changes in these assumptions will impact on the carrying amount of post retirement obligations.

The municipality determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of estimated future cash outflows expected to be required to settle the pension obligations. In determining the appropriate discount rate, the municipality considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Effective interest rate

The municipality used the prime interest rate to discount future cash flows.

Allowance for doubtful debts

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.2 Presentation of Currency

These annual financial statements are presented in South African Rand which is the functional currency of the municipality.

1.3 Going concern assumption

In terms of the accounting standard GRAP 1 paragraphs 27 to 30 the annual financial statements are prepared on a going concern basis. The assumption is based on the fact that the municipality may invoke its power to levy additional rates or taxes to enable the municipality to be considered as a going concern even though the municipality will be operational for extended periods with negative net assets.

However based on the current solvency and liquidity ratio's tests performed, the municipality's ability to operate as a going concern is under threat.

1.4 Investment property

Initial Recognition:

Investment property includes property (land or a building, or part of a building, or both land or buildings held under a finance lease) held to earn rentals and/or for capital appreciation, rather than held to meet service delivery objectives, the production or supply of goods or services, or the sale of an asset in the ordinary course of operations. At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date

Subsequent Measurement:

Investment property is measured at fair value. After initial recognition all investment property is measured at fair value at each Statement of financial position date. No depreciation is calculated on these properties.

Item Useful life

Property - land indefinite
Property - buildings 5 - 50 years

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired at no cost, or for a nominal cost, its cost is its fair value as at date of acquisition. Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Major spare parts and stand by equipment which are expected to be used for more than one period are included in property, plant and equipment. In addition, spare parts and stand by equipment which can only be used in connection with an item of property, plant and equipment are accounted for as property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land and buildings which is carried at re-valued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are made with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period.

When an item of property, plant and equipment is re-valued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after re-valuation equals its re-valued amount.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a re-valuation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset. The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the re-valued carrying amount and depreciation based on the original cost of the asset.

1.5 Property, plant and equipment Continues . . . .

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value. Property, plant and equipment is carried at cost less accumulated depreciation and any impaired costs.

The useful lives of items of property, plant and equipment have been assessed as follows:-

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the de-recognition of an item of Intangible assets is included in surplus or deficit when the items derecognised. The gain or loss arising from the de-recognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities are transferred to inventories when the rentals end and the assets are available-for-sale. These assets are not accounted for as non-current assets held for sale. Proceeds from sales of these assets are recognised as revenue. All
cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

1.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost at reporting date comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the entity.
When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.6 Inventories continues . . . .

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

Unsold properties are at the lower cost and net realisable value. Direct cost are accumulated for each separately identifiable development. Cost also includes a portion of the overhead costs.

1.7 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity. The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or un-collectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related. Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates

De-recognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, (see the Standard of Transactions) transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk. Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

1.7 Financial instruments continues . . . .

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:

- it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
- on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
- non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
- financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

Classification

The municipality has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

Cash and cash equivalents
Financial asset measured at amortised cost
Trade and other receivables from non-exchange transactions
Financial asset measured at amortised cost.

Trade and other receivables from exchange transactions Financial asset measured at amorstised cost

Long term receivables Financial asset measured at amortised cost

The municipality has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

Class Category

Long term liabilities Financial liability measured at amortised cost

Trade and other payables Financial liability measured at amortised cost

Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value]. The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity

analyses a concessionary loan into its component parts and accounts for each component separately.

The entity accounts for that part of a concessionary loan that is:

1.7 Financial instruments continues . . . .

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an entity calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data. The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value.

This requires a reclassification of the instrument from amortised cost or cost to fair value.
If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or
deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

Impairment and un-collectability of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

De-recognition

Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:

  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for de-recognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in de-recognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit. Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are debited by the entity directly to net assets, net of any related income tax benefit [where applicable]. Transaction costs incurred on residual interests is accounted for as a deduction from net assets, net of any related income tax benefit [where applicable].

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. In accounting for a transfer of a financial asset that does not qualify for de-recognition, the entity does not offset the transferred asset and the associated liability.

1.8 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable. Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by

1.8 Revenue from exchange transactions continues . . . .
Interest, royalties and dividends

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.
Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends, or their equivalents are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.9 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.
Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.
Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.
Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.
When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability.

Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

1.9 Revenue from non-exchange transactions continues . . . .

Transfers

Apart from Services in kind, which are not recognised, the municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset. The municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

Transferred assets are measured at their fair value as at the date of acquisition.

Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset. Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality. Where the municipality collects fines in the capacity of an agent, the fine will not be revenue of the collecting entity.

Bequests

Bequests that satisfy the definition of an asset are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality, and the fair value of the assets can be measured reliably.

Gifts and donations, including goods in-kind

Gifts and donations, including goods in kind, are recognised as assets and revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

1.10 Conditional Grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditure for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision. No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding agreement.

After their initial recognition contingent liabilities recognised in business combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

1.11 Provisions and contingencies continues . . . .

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note **XX**.

1.12 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote;
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.13 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), The Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure.

Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.14 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.15 Translation of foreign currencies

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Rand's, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different
from those at which they were translated on initial recognition during the period or in previous annual financial statements are recognised in surplus or deficit in the period in which they arise.

When a gain or loss on a non-monetary item is recognised directly in equity, any exchange component of that gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in surplus or deficit, any exchange component of that gain or loss is recognised in surplus or deficit.

Cash flows arising from transactions in a foreign currency are recorded in Rand's by applying to the foreign currency amount the exchange rate between the Rand and the foreign currency at the date of the cash flow

1.16 Comparative figures

Current year comparatives

Budgeted amounts have been included in the statement of comparison of budget and actual amounts for the current financial year only.

Prior year comparatives

When presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

1.17 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

1.17 Leases continues . . . .

Finance leases – lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease. The lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Operating leases – lessor

Operating lease income is recognised as an income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

Income for leases is disclosed under revenue in the statement of financial performance.

Operating leases – lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset. This liability is not discounted.

Any contingent rents are expensed in the period they are incurred.

1.18 Intangible assets

An asset is identified as an intangible asset when it:

- ➢ is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, assets or liability; or
- ➢ arises from contractual rights or other legal rights, regardless whether those rights are transferable or separate from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- ➢ it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity; and
- ➢ the cost of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost, the cost shall be its fair value as at the date of acquisition.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- ➢ it is technically feasible to complete the asset so that it will be available for use or sale.
- ➢ there is an intention to complete and use or sell it.
- ➢ there is an ability to use or sell it.
- ➢ it will generate probable future economic benefits.
- ➢ there are available technical, financial and other resources to complete the development and to use or sell the asset.
- ➢ the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses. An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows. Amortisation is not provided for these property, plant and equipment. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed every period-end. Reassessing the useful life of an intangible asset with a definite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

1.18 Intangible assets continues . . . .

Computer software, internally generated 3 - 5 years
Computer software, other 3 - 5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.19 Non-current assets held for sale

Non-current assets are classified as "held for sale assets" if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non-current assets held for sale are measured at the lower of its carrying amount and fair value less costs to sell. A non-current asset is depreciated (or amortised) while it is classified as a "held for sale" asset.

Interest and other expenses attributable to the liabilities of the "held for sale assets" are recognised in surplus or deficit.

1.20 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon. A cash-generating unit is the smallest identifiable group of assets held with the primary objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.
Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life. When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;

1.20 Impairment of cash-generating assets continues . . . .

- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified. The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit.

The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit. Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that noncash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

1.20 Impairment of cash-generating assets continues . . . .
Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss.

The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a re-valued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life. A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment

losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.21 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees. A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment. Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

1.21 Employee benefits continues . . . .
Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.
Short-term employee benefits continues . . . .

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cell phones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment. Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of each reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

1.21 Employee benefits continues . . . .
Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the municipality recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting municipality) that are held by an municipality (a fund) that is legally separate from the reporting municipality and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting municipality's own creditors (even in liquidation), and cannot be returned to the reporting municipality, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting municipality; or
- the assets are returned to the reporting municipality to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period. Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies. The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the municipality's informal practices. Informal practices give rise to a constructive obligation where the municipality has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the municipality's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The municipality measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The municipality determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date. The municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and

1.21 Employee benefits continues . . . .

- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an municipality shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an municipality shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until

- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The municipality recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the municipality re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices). When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The municipality offsets an asset relating to one plan against a liability relating to another plan when the municipality has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled. The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
- those changes were enacted before the reporting date; or
- past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

Pension Obligations: The municipality and its employees contribute to **4** different Pension Funds, of which **2** (The Municipal Employees Pension Fund and Municipal Gratuity Fund) cater for the majority of the staff. Municipal Employees Pension Fund, Municipal Gratuity Fund and National Fund for Municipal Workers are defined benefit funds. The Municipal Councillors Pension Fund

1.21 Employee benefits continues . . . .

The schemes are funded through payments to financial consultant companies or trustee-administered funds, determined by periodic actuarial calculations. The Municipality has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Municipality pays fixed contributions into a separate entity. The Municipality has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, the Municipality pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Municipality has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

1.22 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.23 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any investment income on the temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the municipality on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when all the following conditions have been met:

- expenditures for the asset have been incurred;
- borrowing costs have been incurred; and
- activities that are necessary to prepare the asset for its intended use or sale are undertaken.

When the carrying amount or the expected ultimate cost of the qualifying asset exceeds its recoverable amount or recoverable service amount or net realisable value, the carrying amount is written down or written off in accordance with the accounting policy on Impairment of Assets as per accounting policy number 1.21. In certain circumstances, the amount of the write-down or write-off is written back in accordance with the same accounting policy.

Capitalisation is suspended during extended periods in which active development is interrupted. Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised as an expense in the period in which they are incurred.

1.24 Use of Estimates

The preparation of annual financial statements in conformity with Generally Recognised Accounting Practice requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the municipality's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are disclosed in the relevant sections of the annual financial statements. Although these estimates are based on management's best knowledge of current events and actions they may undertake in the future, actual results ultimately may differ from those estimates.

1.25 Offsetting

Assets, liabilities, revenue and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

1.26 Investments

Where the carrying amount of an investment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

1.27 Grants in aid

The Lepelle-Nkumpi Municipality transfers money to individuals, institutions and organisations. When making these transfers, The Municipality does not: Receive any goods or services directly in return, as would be expected in a purchase or sale transaction Expect to be repaid in future; or Expect a financial return, as would be expected from an investment These transfers are recognised in the financial statements as expenses in the period that the events giving rise to the transfer occurred.

1.28 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired. The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Value in use

Value in use of an asset is the present value of the asset's remaining service potential.
The present value of the remaining service potential of an asset is determined using the following approach:

Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

Restoration cost approach

Restoration cost is the cost of restoring the service potential of a cash-generating asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

1.28 Impairment of non-cash-generating assets continues . . . .
Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss. An impairment loss is recognised immediately in surplus or deficit. Any impairment loss of a re-valued non-cash-generating asset is treated as a revaluation decrease. When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit. Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase. After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

Re-designation

The re-designation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a re-designation is appropriate.

1.29 Presentation of Budget Information in the Financial Statements

The Municipality shall present a comparison of the budget amounts for which it is held publicly accountable and actual amounts either as a separate additional financial statement or as additional budget columns in the financial statements currently presented in accordance with Standards of GRAP. The comparison of budget and actual amounts shall present separately for each level of legislative oversight:

- the approved and final budget amounts;
- the actual amounts on a comparable basis; and
- by way of note disclosure, an explanation of material differences between the budget for which the entity is held publicly accountable and actual amounts, unless such explanation is included in other public documents issued in conjunction with the financial statements, and a cross reference to those documents is made in the notes.

Where an entity prepares its budget and annual financial statements on a comparable basis, it includes the comparison as an additional column in the primary annual financial statements. Where the budget and annual financial statements are not prepared on a comparable basis, a separate statement is prepared called the 'Statement of Comparison of Budget and Actual Amounts'. This statement compares the budget amounts with the amounts in the annual financial statements adjusted to be comparable to the budget.

A comparable basis means that the budget and annual financial statements:

- are prepared using the same basis of accounting i.e. either cash or accrual;
- include the same activities and entities;
- use the same classification system; and
- are prepared for the same period.

1.30 Heritage Assets

Recognition of Assets

Heritage assets is recognised when it has a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

Certain heritage assets are described as inalienable items thus assets which are retained indefinitely and cannot be disposed of without consent as required by law or otherwise.

1.30 Heritage Assets continues . . . .

A heritage asset is further recognised as an asset only if:

- it is probable that future economic benefits or service potential associated with the asset will to the municipality; and
- the cost of fair value of the asset can be measured reliably.

Subsequent Measurement

Heritage asset is measured at its cost value and should it be acquired through a non-exchange transaction will it be measured at its fair value as at the date of acquisition and is carried at its cost less any accumulated impairment losses.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus and is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit. If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit and is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

Although a heritage asset is not depreciated is the heritage asset assess at each reporting date to disclose whether there is an indication that it may be impaired.

In terms of the standard, compensation from third parties for heritage assets that have been impaired, lost or given up, should be included in surplus or deficit when the compensation becomes receivable.

The municipality will treat any difference at that date between the carrying amount of the heritage asset and its fair value in the same way as a revaluation in accordance with this Standard. Should any item of property, plant and equipment or an intangible asset carried at a re-valued amount, or investment property carried at fair value is reclassified as a heritage asset carried at a re-valued amount, the entity applies the applicable Standard to that asset up to the date of change. The entity treats any difference at that date between the carrying amount of the asset and its fair value in accordance with the applicable Standard relating to that asset. Transfer of investment property carried at fair value, or inventories to heritage assets at a re-valued amount, any difference between the fair value of the asset at that date and its previous carrying amount should be recognised in surplus or deficit.

Item use Fill Live

Property and building – Indefinite
Other Assets - 5 to 50 years

De-recognition of Asset

The carrying amount of a heritage is de-recognised:

- on disposal, or
- when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the de-recognition, of a heritage asset should be determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or deficit when the heritage asset is derecognised.

1.31 VALUE ADDED TAX (VAT)

The municipality accounts for Value Added Tax on the cash basis.

2. New standards and interpretations

2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2012 or later periods:

GRAP 18: Segment Reporting - Issued March 2005

Segments are identified by the way in which information is reported to management, both for purposes of assessing performance and making decisions about how future resources will be allocated to the various activities undertaken by the entity. The major classifications of activities identified in budget documentation will usually reflect the segments for which an entity reports information to management.

Segment information is either presented based on service or geographical segments. Service segments relate to a distinguishable component of an entity that provides specific outputs or achieves particular operating objectives that are in line with the entity's overall mission. Geographical segments relate to specific outputs generated, or particular objectives achieved, by an entity within a particular region.

This Standard has been approved by the Board but its effective date has not yet been determined by the Minister of Finance. The effective date indicated is a provisional date and could change depending on the decision of the Minister of Finance.

The effective date of the standard is for years beginning on or after 01 April 2011.

The municipality expects to adopt the standard for the first time in the 2012 annual financial statements. It is unlikely that the standard will have a material impact on the municipality's annual financial statements.

GRAP 20: Related Party – Issued June 2011

Related party relationships exist throughout the public sector, because:

(a) The Municipalities is subject to the overall direction of an executive government or Council and ultimately, parliament, and operate together to achieve the policies of the government

(b) The Municipality conduct activities necessary for the achievement of different parts of their responsibilities and objectives through separate controlled entities, and through entities over which they have significant influence

(c) Public entities enter into transactions with other government entities on a regular Basis, and

(d) Ministers, councillors or other elected or appointed members of the government and other members of management can exert significant influence over the operations of an entity.

The mere existence of related party relationships means that one party can control, jointly control or significantly influence the activities of another party. This provides the opportunity for transactions to occur on a basis that may give one party an advantage at the expense of another. Therefore the disclosure of related party transactions, outstanding balances, and the relationship underlying these transactions is necessary for accountability purposes.

Management could hold positions of responsibility within an entity and therefore members of management will be responsible for the strategic direction and operational management of an entity and are entrusted with significant authority. However, their responsibilities may enable them to influence the benefits of office that flow to them, or their related parties or parties that they represent on the governing body.

Close members of the family of persons related to the entity may influence, or be influenced by them in their transactions with the entity.

Disclosure of related party transactions, outstanding balances, including commitments, and relationships with related parties may affect users' assessments of the financial position and performance of the reporting entity and its ability to deliver agreed services, including assessments of the risks and opportunities facing the entity. This disclosure also ensures that the reporting entity is transparent about its dealings with related parties.

The effective date of the standard is for years beginning on or after 01 April 2013.

The municipality does not envisage the adoption of the standard until such time as it becomes applicable to the municipality's operation.

At present the impact of the standard is not material..

"GRAP 105: Transfer of Functions between Entities under Common Control – Issued November 2010"

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities under common control will the accounting policy be amended to cater for such transfer."

"GRAP 106: Transfer of Function between Entities Not Under Common Control – Issued November 2010"

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future it be necessary to transfer functions between entities not under common control will the accounting policy be amended to cater for such transfer."

"The compliance to the standard would have no effect on the present presentation of the Annual Financial Statement. However should in the future there be a merger between entities will the accounting policy be amended to cater for such merger transactions and disclosure."

		2014 R	2013 R
2.	**CASH AND CASH EQUIVALENTS**		
	Cash and cash equivalents consist of the following:		
	Cash on hand	3 877	5 545
	Cash at bank	8 156 403	2 580 962
	Call deposits	100 645 585	71 142 619
		108 805 865	**73 729 126**
	The municipality has the following bank accounts:		
2.1	**Paymaster General Account**		
	Cash book balance at beginning of year	457 238	21 681
	Cash book balance at end of year	4 716 780	457 238
	Bank statement balance at beginning of year	124 054	124 054
	Bank statement balance at end of year	4 716 780	124 054
2.2	**Revenue Account**		
	Cash book balance at beginning of year	2 121 408	8 343 606
	Cash book balance at end of year	3 310 337	2 121 408
	Bank statement balance at beginning of year	1 100 162	6 072 861
	Bank statement balance at end of year	3 274 657	1 100 162
2.3	**Salaries Account**		
	Cash book balance at beginning of year	2 316	2 238
	Cash book balance at end of year	129 286	2 316
	Bank statement balance at beginning of year	2 316	2 238
	Bank statement balance at end of year	129 286	2 316
2.4	**Money Market Account**		
	Cash book balance at beginning of year	71 142 619	99 041 487
	Cash book balance at end of year	100 645 585	71 142 619
	Bank statement balance at beginning of year	240 944	2 238
	Bank statement balance at end of year	100 645 585	240 944
2.5	**Cash on hand**	3 877	5 545

Cash and Cash Equivalent

Cash and cash equivalents are classified as financial instruments under the loans and receivable category. Due to the short term nature of these investments no amortisation was performed

No cash and cash equivalents (or portions thereof) were pledged as security for any financial liabilities

No restrictions exist with regard to the use of cash and no portion is past due or impaired

These amounts best represent the maximum exposure to credit risk at the end of the reporting period, without taking account of any collateral held or other credit enhancements.

3. TRADE& OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

Trade receivables	**2014**	**2013**
Refuse		
Gross balance	19 619 334	13 261 067
Less: Provision for Doubtful Debts	14 815 192	7 048 318
Net balance	**4 804 142**	**6 212 749**

Refuse: Ageing		
Current (0 – 30 days)	951 203	746 775
31 - 60 Days	442 000	353 275
61 - 90 Days	425 384	338 186
91 - 120 Days	412 902	329 970
121 - 365 Days	3 228 938	2 538 605
+ 365 Days	14 158 907	8 954 257
Total	**19 619 334**	**13 261 067**

		2014 R	2013 R
4.	**TRADE & OTHER RECEIVABLES FROM NON EXCHANGE TRANSACTIONS**		
	Trade receivables		
	Rates		
	Gross balance	82 052 310	100 449 592
	Plus Credit Debtor Balances - Refer to note	5 312 974	2 381 412
		87 365 284	102 831 004
	Less: Provision for Doubtful Debts	74 919 831	72 414 114
	Net balance	**12 445 453**	**30 416 890**
	Rates: Ageing		
	Current (0 – 30 days)	4 468 931	2 426 649
	31 - 60 Days	2 134 091	1 182 498
	61 - 90 Days	2 059 291	1 090 866
	91 - 120 Days	2 024 303	1 087 541
	121 - 365 Days	15 313 280	10 306 221
	+ 365 Days	61 365 388	86 737 228
	Total	**87 365 284**	**102 831 004**

Reconciliation of the doubtful debt provision

	2014	2013
Balance at beginning of the year	79 462 432	56 779 807
Contributions to provision	**18 161 995**	**22 682 625**
Doubtful debts written off against provision		
Reversal of provision		
Balance at end of year	**97 624 427**	**79 462 432**

Trade and other receivables past due but not impaired

Consumer debtors pledged as security

Consumer debtors were not pledged as security for overdraft facilities.

Consumer debtors impaired

The amount of the provision was R97 624 427 as at June 2014. (2013: R79 462 431)

Interest Raised 2013/2014

During the 2013/2014 Financial year ineterest on outstanding receivables were calculated at a rate of of 9% as per the tarriff structure

5. OTHER RECEIVABLES FROM NON NON EXCHANGE TRANSACTION

	2014	2013
CDM Advance Account: Commission	29 202 783	
Traffic Department (80:20 Ratio)	-	51 938
Other debtors	6 084 064	1 490 789
CDM: Landfill Management	978 400	
CDM Advance Account: Debtors	-	
Total Other Receivables	**36 265 247**	**1 542 727**

Other Receivables

Trade and other receivables pledged as security

Trade and other receivables were not pledged as security for overdraft facilities.

6. INVENTORIES

	2014	2013
Consumable stores - at cost		
Opening balance	197 447.00	970 274
Additions	867 802.87	826 619
Issued (expensed)		(1 599 446)
Stock adjustment	(303 961.34)	-
Write-down / (reversal of write-down) to Net Replacement Value (NRV) or Net Replacement Cost (NRC)		
Closing balance	**761 289**	**197 447**

Stock Written Off

	2014	2013
During the financial period stock were written down due to redundancy of the stock and damages which amounted R45 763.36 for 2012/2013 financail period	-	45 763

7. VAT RECEIVABLE

	2014	2013
VAT receivable	**3 912 704**	**8 462 336**

PROPERTY, PLANT AND EQUIPMENT

Reconciliation of Carrying Value	Land and Building	Infrastruture	Capital Work in Progress	Other and Moveable Assets	Lease Assets	Total
	R	R		R	R	R
as at 1 July 2013	**252 793 070**	**171 921 517**	**61 033 483**	**22 920 074**	**778 392**	**509 446 536**
Cost/Revaluation	301 207 798	253 654 228	61 033 483	33 007 889	1 420 493	650 323 892
Accumulated depreciation	(48 414 728)	(81 732 712)	-	(10 073 377)	(642 102)	(140 862 918)
Impairment losses	-	-	-	(14 438)	-	(14 438)
Acquisitions/ Additions	3 180 518	1 411 180	10 941 310	3 304 199		18 837 207
Donated	17 000 000	31 285 829				
Depreciation	(15 555 196)	(12 380 694)		(3 806 961)	(455 561)	(32 198 412)
Impairment loss/Reversal of impairment loss	-	-		-	-	-
Transfers - Cost	13 414 431	19 318 765	(33 169 258)	(869 651)	-	-
Transfers - Accumulated depreciation	(129 002)			216 152		
Other movements*	-	-		-	-	-
				(765 968)		**(765 968)**
Disposal - Cost				(1 729 806)		(1 729 806)
Disposal - Accumulated depreciation				962 788		962 788
Disposal - Accumualted impairment				1 050		1 050
as at 30 June 2014	**270 703 822**	**211 556 596**	**38 805 534**	**20 997 845**	**322 830**	**542 386 628**
Cost/Revaluation	334 802 748	305 670 002	38 805 534	33 712 630	1 420 493	714 411 408
Accumulated depreciation	(64 098 926)	(94 113 405)		(12 701 398)	(1 097 663)	(172 011 392)
Impairment losses	-	-		(13 388)	-	(13 388)
		-				

Reconciliation of Carrying Value	Land R	Building R	Total Land and Buildings	Infrastructure R	Capital Work in Progress	Other Moveable Assets R	Finance Lease Assets	Total
as at July 2012	**-**	**217 564 157**	**217 564 157**	**141 056 451**		**25 988 148**	**-**	**384 608 756**
Cost/Revaluation	-	240 092 902	240 092 902	211 828 679		31 165 934	-	483 087 515
Accumulated depreciation and impairment losses		(22 528 745)	(22 528 745)	(70 772 228)		(5 177 786)		(98 478 759)
Acquisitions/ Additions		3 390 603	3 390 603	26 386 968	61 033 483	3 413 020	747 075	94 971 149
Depreciation	-	(12 638 637)	(12 638 637)	(10 025 203)		(3 346 701)		(26 010 541)
Impairment loss						(14 438)		
Transfers	11 851 921	-	11 851 921	-			-	23 703 842
*Other movements	-	-		2 697 102		236 850	-	2 933 952
	(10 104 929)	**42 729 956**	**32 625 026**	**11 806 199**	**-**	**(3 356 805)**	**31 317**	**86 978 110**
Correction of error - Cost	(10 104 929)	55 977 302	45 872 372	12 741 480		(1 807 915)	673 418	103 351 727
Correction of error - Accumulated depreciation	-	(13 247 346)	(13 247 346)	(935 281)		(1 548 890)	(642 102)	(16 373 618)
as at June 2013	**1 746 992**	**251 046 079**	**252 793 070**	**171 921 517**	**61 033 483**	**22 920 074**	**778 392**	**509 446 536**
Cost	1 746 992	299 460 807	301 207 798	253 654 228	61 033 483	33 007 889	1 420 493	650 323 892
Accumulated depreciation	-	(48 414 728)	(48 414 728)	(81 732 712)	-	(10 073 377)	(642 102)	(140 862 918)
Impairment losses	-	-	-	-	-	(14 438)	-	(14 438)

Refer to Appendix B for more detail on property, plant and equipment

Pledged as security

No property, plant and equipment were pledged as security for any financial liabilities.

Other information

Various adjustments were made to property, plant and equipment. These relate to assets that were not previously recognised and re-classification of assets.

Assets that were not previously recognised, were fair valued and remaining useful ives were determined based on the assets current condition.

		2014 R	2013 R
9	**INTANGIBLE ASSETS**		
	Reconciliation of Carrying Value - opening		
	Cost	347 345	336 294
	Accumualted amortisation	(146 405)	(77 947)
		200 940	**258 347**
	Acquisitions	132 010	11 051
	Amortisation	(126 667)	(68 458)
	Impairment loss	(123 830)	
	Transfer in - Cost	258 490	
	Transfer in - Accumulated amortisation	(75 783)	
	Reconciliation of Carrying Value - opening	**265 160**	**200 940**
	Cost	737 845	347 345
	Accumulated amortisation	(348 855)	(146 405)
	Accumulated impairment	(123 830)	

Intangible assets comprise of computer software.

		2014 R	2013 R
10	**TRADE AND OTHER PAYABLES**		
	Trade creditors	6 438 311	9 431 158
	CDM Creditors	400 000	1 500 000
	Retentions	8 851 506	18 346 978
	Leave provision	5 807 857	4 871 838
	Bonus provision	1 637 682	2 005 894
	Traffic Department	481 282	462 424
	Other Creditors	6 003 551	5 552 475
	CDM Advance Account: R & M	68 169	68 169
	Total Trade and Other Payables	**29 688 358**	**42 238 936**

The fair value of trade and other payables approximates their carrying amounts.

		2014 R	2013 R
11	**CONSUMER DEPOSITS FROM NON-EXCHANGE TRANSACTIONS**		
	Total Consumer Deposits	1 717 836	**491 226**

No interest is paid on consumer deposits.

		2014 R	2013 R
12	**UNSPENT CONDITIONAL GRANTS AND RECEIPTS**		
	Conditional Grants from other spheres of Government		
	MIG	13 450 757	2 189 101
	LED Learnership	327 926	327 926
	FMG	-	26 999
	MSIG	-	51 943
	DME	1 010 871	3 246 764
	EPWP	73 330	-
	CDM : REFURBISHMENT OF NOKO TLOU STADIUM	100 230	
		14 963 114	**5 842 733**

See note 19 for the reconciliation of grants from other spheres of government.

Conditional Grants

The extent of government grants recognised in the Statement of financial performance relates to the portion of the grant where the conditions have been met

Unfulfilled conditions and other contingencies attaching to government assistance that has been recognised as a liability in the Statement of financial position

Due the non-fulfillment of conditions of the conditional grants an amount of R 5 467 000 which was unspent in the 2011/12 financial year was recovered in the current year and R 18 839 000 for the current year's allocation was stooped by National Treasury

13 **FINANCE LEASE LIABILITY**

		Minimum lease payment	Future finance charges	Present value of lease payments
	31 June 2014			
	Amounts payable under finance leases			
	Within one year	293 499.12	18 954	274 546
13.1	Within two to five years	73 374.78	1 027	72 347
		366 874	**19 981**	**346 893**
13.2	Less: Amount due for settlement within 12 months (current portion)	**(293 499)**	**(18 954)**	**(274 546)**
		73 375	**1 027**	**72 347**

		2014 R	2013 R
30 June 2013			
Amounts payable under finance leases			
Within one year	564 899.83	54 034	510 866
Within two to five years	366 873.90	19 981	346 893
	931 774	**74 015**	**857 759**
Less: Amount due for settlement within 12 months (current portion)	**(564 900)**	**(54 034)**	**(510 866)**
	366 874	**19 981**	**346 893**

The average lease term is 3 years and the average effective borrowing rate is 16%. Interest rates are fixed at the contract date. Some leases have fixed repayment terms and other escalate by not more than 10% per annum. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

14 PROVISION

NON CURRENT PROVISION

14.1	Long service awards	1 861 049	1 491 346
14.2	Enviromental rehabilitation	10 528 109	-
	Total Non-Current Provision	**12 389 158**	**1 491 346**

Long service awards

Employees qualify for the following long service awards in terms of the SALGA collective agreement:

The employees will qualifies for long service award for every five years of service completed , from ten years of service to 45 years of services

In the month that each "Completed Service" milestone is reached, the employee is granted a long service award

Working days awarded are value at 1/250 of annual salary per day

Acturial report was compiled by ARCH Actuarial Consulting appointed by the Council

Enviromental rehabilitation
The provision is made in terms of the licensing stipulations The Provision has been determined on the basis of the recent independent study. The cost factors derived from the study by a consulting firm of engineers have been applied. The total closure and rehabilitation are uncertain.

15 REVENUE

Property rates	19 221 957	16 079 134
Service charges	5 301 681	4 323 583
Finance Income	6 493 851	5 212 106
Government grants and subsidies	143 533 012	168 897 279
Rental of facilities and equipment	212 885	156 236
Water and Sanitation Agency Fees	36 808 517	29 333 436
Licences and permits:Department of Transport	3 493 940	3 639 778
Other revenue	49 896 810	1 635 113
Gain/(Loss) on disposal of assets	-	(14 436)
	264 962 653	**229 262 227**

The amount included in revenue arising from exchange of goods and services are as follows:

Service charges	5 301 681	4 323 583
Rental of facilities and equipment	212 885	156 236
Water and Sanitation Agency Fees	36 808 517	29 333 436
Licences and permits:Department of Transport	3 493 940	3 639 778
	45 817 023	**37 453 032**

The amount included in revenue arising from non exchange of goods and services are as follows:

Taxation revenue:		
Property rates	19 221 957	16 079 134
Transfer revenue:		
Government grants	143 533 012	168 897 279
	162 754 969	**184 976 413**

		2014 R	2013 R
16	**PROPERTY RATES**		
	Actual		
	Residential	11 340 767	10 853 826
	Commercial	2 561 615	1 476 693
	Agriculture	1 136 220	1 444 783
	State	4 183 355	2 303 832
	Total property rates	**19 221 957**	**16 079 134**
	VALUATIONS	R000's	R000's
	Residential	3 557 792 615	3 556 475 595
	Commercial	628 304 470	506 554 470
	Agricultural	2 049 562 192	1 979 495 544
	State	1 479 553 371	1 108 142 391
		7 715 212 648	**7 150 668 000**

Valuations on land and buildings are performed every four years. The last valuation came into effect on 1 July 2012. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions. The next general valuation will be implemented on 1 July 2016.

		2014 R	2013 R
17	**FINANCE INCOME**		
	Interest receivable - Accounts receivable	2 627 220	1 261 688
	Interest receivables - External investments	3 858 938	3 947 385
	Interest receivables - Current account	7 693	3 034
		6 493 851	**5 212 106**
18	**COMMISSION EARNED**		
	Commission received from sale of water	36 808 517	29 333 436

The commission received from Capricorn District Municipality for the collection of revenue relating to water and sanitation on behalf of the District Municipality. The is an SLA allowing Lepelle-Nkumpi to receive all revenue collected during the current year. The amount reflected is therefore 100% of the current year related debtor collected

		2014 R	2013 R
19	**AGENCY FEES**		
	Licences and permits :Department of Transport	**3 493 940**	**3 639 778**
20	***Operating Grants***	**143 533 012**	**130 061 279**
	Equitable share	138 190 000	124 156 668
	Finance management Grant	1 549 999	1 740 689
	Municipal Systems Improvement Grant	889 943	800 000
	Capricorn	-	2 103 922
	EPWP	1 124 670	1 260 000
	CDM: Landfill Management	1 778 400	-
	Capital Grants	**14 900 007**	**38 836 000**
	Municipal Infrastructural Grant	10 602 344	34 836 000
	CDM:Upgrading of Noko Tlou Stadium	249 770	-
	Department of Minerals & Energy	4 047 893	4 000 000
	Total Government Grants & Subsidies	**158 433 019**	**168 897 279**

20.1 ***Equitable Share***

In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent community members.

20.2 ***Finance Management Grant***

	2014 R	2013 R
Balance unspent at beginning of year	26 999	267 688
Current year receipts	1 523 000	1 500 000
Conditions met – transferred to revenue	(1 549 999)	(1 740 689)
Unspent amount transferred to liabilities	**(0)**	**26 999**

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met. No funds have been withheld.

20.3 ***Municipal Systems Improvement Grant***

	2014 R	2013 R
Balance unspent at beginning of year	51 943	51 943
Current year receipts	838 000	800 000
Conditions met – transferred to revenue	(889 943)	(800 000)
Unspent amount transferred to liabilities	**-**	**51 943**

The purpose of the grant is for institutional systems. No funds were withheld or delayed.

		2014 R	2013 R
20.4	***Municipal Infrastructure Grant (MIG)***		
	Balance unspent at beginning of year	2 189 101	2 189 101
	Current year receipts	21 864 000	34 836 000
	Conditions met – transferred to revenue	(10 602 344)	(34 836 000)
	Unspent amount transferred to liabilities	**13 450 757**	**2 189 101**

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met.

20.5	***Intergrated National Electrification Programme***		
	Balance unspent at beginning of year	3 246 764	3 246 764
	Current year receipts	1 812 000	4 000 000
	Conditions met – transferred to revenue	(4 047 893)	(4 000 000)
	Unspent amount transferred to liabilities	**1 010 871**	**3 246 764**

This grant were used to construct municipal infrastructure to provide basic services for the benefit of poor households. The conditions of the grant were met.

20.6	***LED Learnership***		
	Balance unspent at beginning of year	327 926	327 926
	Current year receipts	-	-
	Conditions met – transferred to revenue	-	-
	Unspent amount transferred to liabilities	**327 926**	**327 926**

20.7	***EPWP***		
	Balance unspent at beginning of year	-	
	Current year receipts	1 198 000	1 260 000
	Conditions met – transferred to revenue	(1 124 670)	(1 260 000)
	Unspent amount transferred to liabilities	**73 330**	**-**

20.7	***CDM: Refurbishment of Noko Tlou***		
	Balance unspent at beginning of year		
	Current year receipts	350 000	-
	Conditions met – transferred to revenue	(249 770)	-
	Unspent amount transferred to liabilities	**100 230**	**-**

21	**OTHER REVENUE**		
	Other revenue	**49 896 810**	**1 635 113**
22	**GAIN/(LOSS) ON DISPOSAL OF ASSETS**		
	Property, plant and equipment	**474 623**	**(14 436)**
23	**EMPLOYEE RELATED COSTS**		
	Employee related cost - Salaries and wages	49 615 256	41 750 704
	Employee related cost - Social contributions	9 875 751	8 965 291
	Housing benefits and allowances	161 879	157 423
	Leave provision	2 184 553	3 043 781
	Long service awards	398 230	457 648
		62 235 669	**54 374 848**

There were no advances paid to employees.

Municipal Manager		
Annual Remuneration	458 888	487 785
Bonus	128 488	63 873
Travel Allowances and other allowance	361 188	141 480
SDL	-	9 088
Acting Allowance	-	
Termination and Leave paid	-	50 071
Contributions to Medical and Pension Fund	205 792	235 989
	1 154 356	**988 286**

	2014 R	2013 R
Chief Financial Officer		
Annual Remuneration	451 152	191 610
Travel Allowances and other allowance	388 100	128 533
SDL	-	3 334
Acting Allowance	-	36 293
Termination and Leave paid	-	
Contributions to Medical and Pension Fund	127 248	43 606
	966 500	**403 375**
Director: Techncial Services		
Annual Remuneration	167 863	147 872
Travel Allowances and other allowance	168 363	19 050
SDL	-	1 635
Termination and Leave paid	-	
Contributions to Medical and Pension Fund	80 932	48 027
	417 159	**216 585**
Director: Community Services		
Annual Remuneration	409 298	539 922
Acting allowance	59576.51	
Travel Allowances and other allowance	330 190	132 683
SDL	-	8 201
Termination and Leave paid	-	52 008
Contributions to Medical and Pension Fund	156 675	159 369
	955 739	**680 806**
Director: Corporate Services		
Annual Remuneration	475 467	336 371
Acting allowance	23 038	20 653
Travel Allowances and other allowance	359 333	161 360
SDL	-	6 328
Termination and Leave paid	-	69 664
Contributions to Medical and Pension Fund	61 200	116 099
	919 038	**524 711**
Director: Strategic Planning(LED)		
Annual Remuneration	262 288	283 860
Acting allowance	12 257	24 094
Travel Allowances and other allowance	225 789	23 673
SDL		3 534
Termination and Leave paid		
Contributions to Medical and Pension Fund	70 402	51 777
	570 736	**335 162**

24 REMUNERATION OF COUNCILLORS

	2014 R	2013 R
Mayor	431 542	662 376
Chief Whip	309 359	432 242
Speaker	391 310	375 742
Executive Committee Members	1 849 319	2 444 328
Councillors	5 640 927	7 907 777
Councillors' pension and medical aid contributions	3 170 086	98 088
Councillors' allowances	2 978 943	2 094 004
	14 771 487	**14 014 557**

The Mayor, Speaker and Chief Whip are full-time. Each is provided with an office and secretarial support. The Mayor has use of a Council owned vehicle and driver for official duties.

Councillor's arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days **as at 30 June 2014**: -	**Total**	**Outstanding less than 90 days**	**Outstanding more than 90 days**
	5 224	670	4 554
Ramoshaba L.L	149	149	
Thobejane M.M	813	310	503
Machete K.J	3 670	853	2 817
Sibanda P.S	3 116	1 608	1 508
Phaahla K.G	275	275	
Mashiane M.E	3 007	442	2 565
Khwinana M	9 718	2 534	7 184
Mphahlele L.E	7 669	2 655	5 014
Ramalla T	8 161	2 860	5 301
Mokgophi M.T	**41 802**	**12 356**	**29 446**

		2014 R	2013 R
as at June 2013			
Ramoshaba L.L	6 644	560	6 084
Thobejane M.M	8 029	841	7 188
Sibanda P.S	11 046	974	10 072
Phaahla K.G	10 449	1 491	8 958
Khwinana M	34 508	2 493	32 015
Ramalla T	12 382	1 097	11 285
Mokgophi M.T	15 780	2 068	13 712
Total Councillor Arrear Consumer Accounts	**98 838**	**9 524**	**89 314**

25 DEPRECIATION AND AMORTISATION EXPENSE

	2014 R	2013 R
Property, plant and equipment	32 432 854	26 078 999
Intangible assets		
	32 432 854	**26 078 999**

26 FINANCE COST

	2014 R	2013 R
Interest on finance leases	**54 034**	**149 515**

27 CONTRACTED SERVICES

Contracted services for:

	2014 R	2013 R
Refuse	1 560 000	-
Security costs	2 552 587	**3 730 955**
	4 112 587	**3 730 955**

Security services provided at most of the Municipal buildings.

28 GENERAL EXPENSES

Included in general expenses is the following:-

	2014 R	2013 R
Audit Fees	1 646 346	2 107 410
Advertising	571 102	845 860
Audit Committee Costs	235 153	98 694
Accomodation and Meals	1 489 832	1 249 239
Bank Charges	292 631	289 338
Cattle Pound	116 069	30 000
Commission on SAPO and Easy Pay	3 081	4 457
Communications	328 316	273 286
Conference and Congresses	127 834	172 794
Consultants Fees	4 001 213	266 615
Consumer Accounts	-	142 335
Community Participation	145 327	52 130
Electricity Projects	13 954 796	14 118 437
FMG : Interns Allowances	-	1 830 861
Forensic Services	1 799 921	137 130
Free Basic Services Water	122 927	283 019
Fuel Municipal Vehicles	2 435 142	5 211 581
Insurance	370 487	633 063
Infrastructure Development Plan L/Kgomo	-	1 046 491
Legal Fees	4 348 358	2 088 698
Membership Fees	36 592	590 966
IDP Review Processes	488 949	533 296
Ward Committee Support	-	359 400
Office Refreshments	15 069	2 834
Postage	236 997	224 403
Printing and Stationery	491 800	665 806
Protective Clothing	686 810	24 958
Rental of Office Equipment	162 173	395 984
Stores & Materials	353 062	662 598
Subsistence & Travelling	694 714	786 202
Telephone :Landlines & Fax	975 017	616 257
Telephone :Cellphones	-	387 189

	2014 R	2013 R
Ward Commitees	3 733 268	3 088 500
PMU Expenses	-	950 749
Council Conferences & Congresses	69 267	68 044
Council Functions	214 050	159 990
Council: Refreshments: Mayors Office	6 092	2 600
Council: Refreshments: Speakers Office	3 792	2 086
Council: Travel & Subsistence	910 749	621 411
Whippery Office: Refreshments	7 301	1 401
Cleaning Materials	123 800	153 735
Licencing: Municipal Fleet	93 970	100 941
Valuation Roll	-	661 054
Refuse Removal Mathibela	-	1 580 506
Electricity Accounts	2 812 793	1 643 437
Water Provision:Mathibela	-	1 808 316
IT Support Services	987	23 488
Skills Developmet Levy	382 662	533 607
Environmental rehabilitation	10 528 109	-
Other	10 598 787	2 167 191
	65 615 345	**49 698 386**

29 CASH GENERATED BY OPERATIONS

	2014	2013
Surplus/(deficit) for the year	85 436 743	43 666 711
Adjustment for:-		
Depreciation and amortisation	32 432 854	26 078 999
Bad Debt Provision	10 272 592	25 289 603
Donations Received - PPE	(48 289 249)	-
Contribution to provisions - non-current	10 897 812	375 293
Contribution to provisions - current	567 807	2 437 830
Finance costs	54 034	78 265
Fair value adjustments	(43 889 331)	(92 877 295)
Impairment loss / (reversal of impairment loss)	7 178 717	-
Interest earned	(6 493 851)	(5 212 106)
Other non-cash item		7 361 351
Operating surplus before working capital changes:	**48 168 128**	**15 395 210**
(Increase)/decrease in inventories	(563 842)	772 827
(Increase)/decrease in trade receivables	1 408 607	4 870 082
(Increase)/decrease in other receivables	17 971 437	51 732 470
(Increase)/decrease in VAT receivable	4 549 632	(3 475 415)
Increase/(decrease) in conditional grants and receipts	9 120 381	(240 689)
Increase/(decrease) in trade payables	(12 550 578)	(3 990 716)
Increase/(decrease) in consumer deposits	1 226 610	(30 194)
Decrease in short term obligations	(239 474)	323 180
Decrease in short long obligations	(242 810)	-
(Increase)/decrease in Provisions	-	375 293
Cash generated by/(utilised in) operations	**68 848 091**	**65 732 047**

30 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise the following:

	2014	2013
Bank balances and cash		107 412 778
Bank overdrafts	-	-
Net cash and cash equivalents (net of bank overdrafts)	**-**	**107 412 778**

31 CORRECTION OF ERROR

CONDITIONAL GRANTS

Roll over of unspent conditional grant not approved by National Treasury

CDM 2011	837 791
	837 791

REVENUE FROM EXCHANGE RATE

Services Charges

Property rates incorrectly charged	**17 636 096**
Property rates - 2011	17 645 780
Property rates - pre 2011	-9 684

Rental of Facilities and Equipment	**6 370**
- Income from rental of facilities not accounted for as debtors - 2013	-9 310
- Deposit from rental of facilities not accounted for as revenue - 2013	15 680

	2014 R	2013 R
Other income		**-163 266**
Rental income from MTN - 2011		-91 709
Allocation old direct deposit		-125 626
Shortages incurred from deposit		54 069
Traffic Fines		
Traffic fines not properly disclosed - 2013		**-1 978 042**
Licences and permits:Department of Transport		
Prodiba, RTMC and SABS adjustment - prior year		-7340
		16 331 608.34
EXPENDITURE		
EMPLOYEE RELATED COST		
Overtime, subsitence and travel claims not accrued -		**-44 705**
GENERAL EXPENSES		
Finance lease payments accounted for as Rental of Office Equipment		**-561 760**
- Rental payment - 2013		-212 812
- Rental payment - pre 2013		-348 948
Provision for bad debts		
- Amount incorrectly allocated to bad debts		**1 016 512**
Depreciation		**642 102**
- Depreciation for lease machine not accounted for - 2013		193 698
- Depreciation for lease machine not accounted for - pre 2013		448 404
Reticulation electricity		
- Retention pay out on Reticulation electricity expensed		**-1 128 177**
Printing and Stationery		
Stationery incorrectly recorded as stock item		**-464 203**
Stock variance		
Stock adjustments incorrectly accounted for in the General ledger		**-449 299**
Repairs and Maintanance		
Non stock items incorrectly allocated as stock items		**88 575**
Fuel		
Expenditure not accrued -2013		**234 055**
Stores and Material		
Non stock items incorrectly allocated to stores		**88 000**
		-578 900
FINANCE CHARGES		**-254 571**
Finance charges on lease asset not properly accounted for - 2013		-71 250
Finance charges on lease asset not properly accounted for - pre 2013		-183 321
ACCOUNTS PAYABLE - 2012		
Expenditure incorrectly accrued		
- General expenditure		**1 755 971**
TOTAL EXPENDITURE		**922 499.09**
PROPERTY PLANT AND EQUIPMENT		**(46 962 174)**
Prior year adjustments - see appendix A		
Net effect on Statement of Financial Position		-29 708 067
Net effect on Accumulated surplus opening balance		-29 708 067

32 ADDITIONAL DISCLOSURES IN TERMS OF SECTION 125 OF MUNICIPAL FINANCE MANAGEMENT ACT, 2003

		2014 R	2013 R
32.1	**Contribution to SALGA**		
	Council membership fees payable	-	590 966
	Amount paid current year	-	(590 966)
	Balance unpaid (included in creditors)	**-**	**0**
32.2	**Audit Fees**		
	Opening balance	(0)	1 284 485
	Current year audit fee	1 646 346	2 107 410
	Amount paid current year	(1 646 346)	(3 391 895)
	Balance unpaid (included in creditors)	**(0)**	**(0)**

32.3 VAT

VAT is payable on the cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns have been submitted by the due date throughout the year.

		2014 R	2013 R
32.4	**PAYE & UIF**		
	Current payroll deductions	9 617 571	9 402 955
	Amount paid current year	(9 617 571)	(9 402 955)
	Balance unpaid	-	-
32.5	**Pension and Medical Aid Deductions**		
	Current payroll deductions	13 905 779	15 841 106
	Amount paid current year	(13 905 779)	(15 841 106)
	Balance unpaid	-	-

			2014 R	2013 R
33		**COMMITMENTS**		
	33.1	Commitments in respect of capital and current expenditure		
		- approved and contracted for		
		Current	6 780 111	
		Capital	70 607 660	35 719 545
			77 387 771	**35 719 545**
		- approved and not contracted for		
		Current	-	-
		Capital	-	-
		The expenditure will be financed from:		
		- Government Grants		
		- Internal sources		(35 719 545)
			-	**(35 719 545)**
34		**DEVIATIONS FROM SUPPLY CHAIN**		
		Refer to Appendix E for details relating to deviation from supply chain processes.		
35		**CONTINGENT LIABILITIES**		
	35.1	Claim for damages	5 224 885	365 089 458
		The contingent liability amount represent the estimated claims against the municipality and See Appendix F for more detail		
	35.2	Wage curve		
		Year 1	71 462	
		Year 2	522 016	
			593 478	
		TOTAL	**5 818 363**	**365 089 458**
36		**UNAUTHORISED, IRREGULAR, FRUITLESS AND WASTEFUL EXPENDITURE**		
	36.1	**Fruitless and wasteful expenditure**		
		Reconciliation of unauthorised expenditure		
		Opening balance	2 699 727	2 678 046
		Fruitless and wasteful expenditure current year	66 561	21 681
		Condoned or written off by Council	-	
		Unauthorised expenditure awaiting condonement	**2 766 288**	**2 699 727**
		The unauthorised expenditure relates to spending above the approved budget.		
	36.2	**Irregular expenditure**		
		Reconciliation of irregular expenditure		
		Opening balance	72 104 730	42 087 924
		Irregular expenditure current year	-	30 016 806
		Condoned or written off by Council		
		Reversal of expenditure condoned by council		
		Irregular expenditure awaiting condonement by National Treasury	**72 104 730**	**72 104 730**
		Non compliance with the SCM Regulation		

	2014	2013
	R	R

37 RELATED PARTY DISCLOSURES

37.1 During the year, in the ordinary course of business, transactions between the Municipality and the under-mentioned parties have occured under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

Management Team

No business transaction took place between Lepelle-Nkumpi Municipality and key Management personnel(Munipal Manager and Directors) and their close family members during the year under review. Details relating to their remuniration is disclosed in note 22.

Details of loans and advances

The MFMA prohibits the granting of loans and advances to officials.

38 PRESENTATION OF BUDGET INFORMATION

	Actual R	Budget R	Variance R
REVENUE			
Service charges	5 301 681	5 522 200	(220 519)
Property rates	19 221 957	26 406 332	(7 184 375)
Finance income	6 493 851	12 144 000	(5 650 149)
Rental of facilities and equipment	212 885	103 281	109 604
Water and Sanitation Agency Fees	36 808 517	30 834 768	5 973 749
Licences and permits:Department of Transport	3 493 940	1 200 000	2 293 940
Government grants and subsidies received - operating	143 533 012	144 834 667	(1 301 655)
Government grants and subsidies received - capital	14 900 007	48 303 000	(33 402 993)
Other revenue	49 896 810	28 294 999	21 601 811
Traffic Fines	3 680 706	7 200 000	(3 519 294)
Total Revenue	**283 543 366**	**304 843 247**	**(21 299 881)**
EXPENDITURE			
Employee related costs	62 235 669	61 832 865	402 804
Remuneration of councillors	14 771 487	10 587 721	4 183 766
Bad debts	10 272 592	45 493 768	(35 221 176)
Depreciation and amortisation expense	32 432 854	20 178 537	12 254 317
Free Basic Services: Electricity	5 477 209	4 220 000	1 257 209
Finance cost	54 034	0	54 034
Repairs and maintenance	2 660 224	8 816 149	(6 155 925)
General expenses	65 615 345	52 279 656	13 335 689
Contracted services	4 112 587	3 132 404	980 183
Total Expenditure	**197 632 000**	**206 541 100**	**(8 909 100)**
NET SURPLUS/(DEFICIT) FOR THE YEAR	**85 911 366**	**98 302 147**	**(12 390 781)**

The final budget and financial statements were both prepared on an accrual basis. See annexure D for explanation of significant variances greater than 10%

39 EVENTS AFTER THE REPORTING DATE

At the time of preparing and submitting the Annual Financial Statements there were no subsequent events to disclose.

APPENDIX A
Lepelle Nkumpi Local Municipality
ANALYSIS OF PROPERTY, PLANT AND EQUIPMENT AS AT 30 JUNE 2014

Description	Historical Cost: Opening Balance	Prior year adjustment	Restated opening bal	Additions	Fair value	Transfers	Donated	Disposals	Closing Balance
	R			R		R		R	R
Land and Buildings									
Land	11 851 921	(10 104 929)	1 746 991						1 746 991
Buildings	243 483 505	55 977 302	299 460 807	3 180 518		13 414 431	17 000 000		333 055 756
Capital Work in Progress	29 828 952		29 828 952	794 505		(14 618 008)			16 005 449
	285 164 378	**45 872 372**	**331 036 750**	**3 975 023**		**(1 203 577)**	**17 000 000**	**-**	**350 808 196**
Infrastructure									
Electricity Network	-	9 907 290	9 907 290	38 458		1 814 738	646 230		12 406 715
Roads Network	240 912 749	2 834 190	243 746 938	1 372 722		17 504 027	30 639 599		293 263 286
Capital Work in Progress	31 204 532		31 204 532	10 146 805		(18 551 250)			22 800 087
	272 117 280	**12 741 480**	**284 858 760**	**11 557 985**	**-**	**767 515**	**31 285 829**		**328 470 088**
Other Assets									
Emergency Equipment	37 350	(37 350)	-	-	-	-		-	-
Furniture and fittings	5 169 509	(1 185 915)	3 983 594	102 970	305 460	-		(187 605)	4 204 419
Motor vehicles	19 294 232	56 690	19 350 922	2 113 325	-	-		(929 615)	20 534 632
Office equipment	6 418 035	(786 743)	5 631 292	349 214	266 912	(258 490)		(604 871)	5 384 058
Plant and Equipment	3 896 676	145 402	4 042 078	153 300	13 017	(611 161)		(7 716)	3 589 519
	34 815 802	**(1 807 915)**	**33 007 887**	**2 718 810**	**585 389**	**(869 651)**	**-**	**(1 729 806)**	**33 712 629**
Intangible Assets									
Computer Software	**347 345**	**-**	**347 345**	**132 010**		**258 490**			**737 845**
Lease Assets									
Office equipment	**747 074.48**	**673 418.37**	**1 420 492.85**						**1 420 492.85**
Total	**593 191 880**	**57 479 355**	**650 671 235**	**18 383 827**	**585 389**	**(1 047 223)**	**48 285 829**	**(1 729 806)**	**715 149 251**

Description	Accumulated Depreciation: Opening Balance	Prior year adjustment	Restated opening bal	Additions	Transfers	Disposals	Closing Balance	Accumulated Impairment: Opening Balance	Additions	Disposals	Closing Balance	Carrying Value
	R			R	R	R	R	R	R	R	R	R
Land and Buildings												
Land												1 746 991
Buildings	35 167 383	13 247 346	48 414 728	15 555 196	129 002		64 098 926					268 956 830
Capital Work in Progress												16 005 449
	35 167 383	**13 247 346**	**48 414 728**	**15 555 196**	**129 002**	**-**	**64 098 926**					**286 709 270**
Infrastructure												
Electricity Network	-	1 000 980	1 000 980	1 017 968			2 018 948					10 387 768
Roads Network	80 797 431	(65 699)	80 731 731	11 362 726			92 094 458					201 168 829
Capital Work in Progress												22 800 087
	80 797 431	**935 281**	**81 732 711**	**12 380 694**			**94 113 405**				**-**	**234 356 683**
Other Assets												
Emergency Equipment	10 883	(10 883)	-	-	-	-	-	-		-	-	-
Furniture and fittings	1 757 910	(541 160)	1 216 750	567 147	-	(106 158)	1 677 738	882		(882)	-	2 526 681
Motor vehicles	2 608 729	2 294 210	4 902 940	1 568 663	-	(407 148)	6 064 455	-		-	-	14 470 177
Office equipment	2 492 768	(221 992)	2 270 776	1 116 836	(87 150)	(443 695)	2 856 768	168		(168)	-	2 527 290
Plant and Equipment	1 654 195	28 715	1 682 910	554 316	(129 002)	(5 788)	2 102 436	13 386		-	13 386	1 473 697
	8 524 486	**1 548 890**	**10 073 376**	**3 806 961**	**(216 152)**	**(962 788)**	**12 701 397**	**14 436**	**-**	**(1 050)**	**13 386**	**20 997 845**
Intangible Assets												
Computer Software	**146 404.29**	**(11 367)**	**135 037**	**126 667**	**87 150**		**348 854**	**-**	**123 830**		**123 830**	**265 161**
Lease Assets												
Office equipment	**-**	**642 102**	**642 102**	**455 561**			**1 097 663**					**322 830**
Total	**124 635 704**	**16 362 250**	**140 997 955**	**32 325 080**	**0**	**(962 788)**	**172 360 246**	**14 436**	**123 830**	**(1 050)**	**137 216**	**542 651 789**

Lepelle-Nkumpi Local Municipality
APPENDIX B
SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
AS AT 30 JUNE 2014

2013	2013	2013		2014	2014	2014
Actual Income	Actual Expenditure	Surplus / (Deficit)		Actual Income	Actual Expenditure	Surplus / (Deficit)
R	R	R		R	R	R
`						
30 545 663	31 283 006	(737 343)	Municipal Manager	77 258	31 718 697	(31 641 439)
52 771 469	14 313 414	38 458 055	Finance & Admin	169 449 223	35 384 468	134 064 755
8 602 963	6 257 862	2 345 101	Economic Development & Planning	274 884	7 262 435	(6 987 551)
27 520 548	15 969 063	11 551 485	Community Services	12 023 908	31 412 178	(19 388 270)
25 035 228	29 593 536	(4 558 308)	Corporate Services	812 500	30 081 251	(29 268 751)
85 202 257	23 154 915	62 047 342	Technical Services	49 533 662	16 551 368	32 982 295
229 678 128	**120 571 796**	**109 106 332**		**232 171 435**	**152 410 397**	**79 761 039**
			Less: Inter-Department Charges			
229 678 128	**120 571 796**	**109 106 332**	Total	**232 171 435**	**152 410 397**	**79 761 039**

APPENDIX C
ACTUAL OPERATING VERSUS BUDGET FOR THE YEAR ENDED 30 JUNE 2014

	2014 Actual	2014 Budget	2014 Variance	2014 Variance	Explanations of significant variances greater than 10% versus budget
	R	R	R	%	
REVENUE					
Property rates	19 221 956.77	26 406 332.00	7 184 375.23	73%	The budget must it include the Revenue Foregone?
Service charges	5 301 681.08	5 522 200.00	220 518.92	96%	
Rental of facilities and equipment	212 884.78	103 281.00	-109 603.78	206%	
Interest earned – external investments	3 858 937.65	4 752 000.00	893 062.35	81%	The less interest was received due to the amount which was withheld and stopped by treasury and under collection from payment od services
Interest earned – outstanding debtors	5 703 972.38	7 392 000.00	1 688 027.62	77%	The writing-off of interest billed from January to December 2014 as a result of non issue of consumer statements. This resulted from the water debt write-off implementation and the separation of accounts process as resolved by the municipal council.
Fines	3 680 706.00	7 200 000.00	3 519 294.00	51%	The budget includes the provision for bad debts
Licensing & permits	3 493 989.84	1 200 000.00	-2 293 989.84	291%	
Other Revenue	46 827 701.52	28 294 999.00	-18 532 702.52	165%	The budget includes the accumulated surplus from the previous years
Water and Sanitation fee	36 808 517.00	30 834 768.00	-5 973 749.00	119%	
Government grants & subsidies – operating	158 433 018.98	193 137 667.00	34 704 648.02	82%	The variance is due to the grants withhold and stopped by Treasury
Total Revenue	**283 543 366.00**	**304 843 247.00**	**21 299 881.00**	93%	
EXPENDITURE					
Employee related costs	60 235 669.00	61 832 865.00	1 597 196.00	97%	
Remuneration of councillor	17 771 487.00	10 587 721.00	-7 183 766.00	168%	
Bad debts	10 272 592.00	45 493 768.00	35 221 176.00	23%	**CHECK WITH CFO, THE TOTAL BUDGET IF IT MUST INCLUDE OTHER PROVISION OR WATER ONLY**
Collection costs	-	-	-		The municipality does not have the debt collector.
Depreciation and amortisation expense	32 432 854.00	20 178 537.00	-12 254 317.00	161%	
Free Basic Services: Electricity	5 477 209.00	4 220 000.00	-1 257 209.00	130%	
Repairs and maintenance	2 660 223.95	8 816 149.00	6 155 925.05	30%	
Finance costs	54 034.20	-	-54 034.20		
Contracted services	4 112 587.00	3 132 404.00	-980 183.00	131%	
General expenses	64 615 343.85	52 279 656.00	-12 335 687.85	124%	
Total Expenditure	197 632 000.00	206 541 100.00	14 495 670.00	96%	
NET SURPLUS/(DEFICIT) FOR THE YEAR	**85 911 366.00**				
Gain\(Loss) on disposal of assets	**-474 623.00**				
NET SURPLUS/(DEFICIT) FOR THE YEAR	**85 436 743.00**				
Grants & Subsidies					
Equitable Share	138 190 000.00	138 190 000.00	-	**1.00**	
LGFMG	-	-	-		
MIG	10 602 343.64	42 903 000.00	32 300 656.36	**0.25**	
MSIG	889 943.15	890 000.00	56.85	**1.00**	
DME	4 047 893.38	5 000 000.00	952 106.62	**0.81**	
CDM:Landfill Management	1 778 400.00	3 006 667.00	1 228 267.00	**0.59**	
CDM:O&M	-	-	-		
CDM:Mamaolo Community Hall	-	100 000.00	100 000.00	**-**	
CDM:Noko Tlou Stadium	249 769.71	300 000.00	50 230.29	**0.83**	
EPWP Incentive Grant	1 124 669.80	1 198 000.00	73 330.20	**0.94**	

APPENDIX C2
ACTUAL CAPITAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT)
FOR THE YEAR ENDED 30 JUNE 2014

	2014			2014	2014	2014	
	Actual	Under Construction	Total Additions	Budget	Variance	Variance	Explanations of significant variances greater than 5% versus budget
Corporate Services	2 734 321			3 093 794		0%	
Financial Services	74 199			150 000		0%	
Community Services	8 777 970			18 658 568		0%	
Technical Services	21 993 923			62 698 311		0%	
TOTAL	**33 580 412**	**-**	**-**	**84 600 673**	**-**	**-**	

APPENDIX D
DISCLOSURE OF GRANTS AND SUBSIDIES FOR THE YEAR ENDED 30 JUNE 2014

DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

598 306.08 475 228.72 (443 174.80)

Name of Grants		Quarterly receipts					Quarterly Expenditure for the Year						Delay \ withheld	Gazette amount Municipal year	Reason for delay/ withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act
		Sep	Dec	March	June	Total	Sep	Dec	March	June	Total		Total	Total		Yes / No
Equitable Share	National Treasury	55 726 000.00	42 449 000.00	34 548 000.00	1 888 000.00	134 611 000								138 190 000.00		Yes
Extended public works Programme	Public Works						598 306	475 229	(443 175)	494 310	1 124 670	73 330.20		1 198 000.00	Unspent of the 2011-2012 previous financial years	Yes
		479 000.00	360 000.00	359 000.00		1 198 000										
Public transport infrastructure and systems grant																
Integrated national electrification programme grant	DME	2 500 000.00	2 500 000.00	-		5 000 000	0	0	0	4 047 893	4 047 893	952 106.62	-3 188 000.00	5 000 000.00	Unspent of the	Yes
Electricity demand side management grant																
	National Treasury						52 251	1 176 670	377 292	8 996 131	10 602 344	13 461 656.36	21 039 000.00	42 903 000.00	Unspent of the 2011-2012 previous financial years	Yes
Municipal infrastructure grant		7 005 000.00	-	17 059 000.00		24 064 000										
Neighbourhood development partnership grant																
	National Treasury						537 224	127 123	547 340	338 312	1 549 999	0.70	-27 000.00	1 550 000.00	Unspent of the 2012-2013 previous financial year	Yes
Local government financial management grant		1 550 000.00	-	-		1 550 000										
IMMIS																
Water services operating grant																
water services refurbishment grant																
	DCOG						245 000	107 039	0	537 904	889 943	56.85	-52 000.00	890 000.00	Unspent of the 2011-2012 previous financial years	Yes
Municipal systems improvement grant		890 000.00	-	-		890 000										
		68 150 000	45 309 000	51 966 000	1 888 000	167 313 000	1 432 781	1 886 060	481 457	14 414 551	18 214 849		(5 467 000)	189 731 000		

LEPELLE-NKUMPI LOCAL MUNICIPALITY

APPENDIX E

DEVIATION FROM SUPPLY CHAIN PROCESSES

SUPPLY CHAIN MANAGEMENT REGULATION 36(2) FOR THE YEAR ENDED 30 JUNE 2014

DATE	DEPARTMENT	SUPPLIER	AMOUNT	REASON FOR DEVIATION
01/07/2013	Corporate Services	Masana Lodge	33 360.00	Non adherence to advertising for 7 days on notice board, due to urgency of the request
05/07/2013	Technical Services	Kagoatlega Travel Agency	74 412.80	Non adherence to 7 days advertising , however 3 quotations were obtained
11/07/2013	Community Services	Ronewa Travel Agency	31 385.52	Non adherence to advertising for 7 days on notice board, due to urgency of the request
12/07/2013	Community Services	TaranisCO Advisory cc	4 900.00	Conference for annual national sports indaba
12/07/2013	Technical Services	Water institute SA(WISA)	20 976.00	Conference for water offered by the institue
23/07/2013	Planning & LED	Patong Guest House	3 504.00	Non adherence to advertising for 7 days on notice board, due to urgency of the request
16/07/2013	Corporate Services	University of Pretoria	96 000.00	MFMP Programme offerred by UP as approved by SALGA
29/07/2013	Corporate Services	Polokwane Royal Hotel	38 400.00	Non adherence to advertising for 7 days on notice board, due to urgency of the request
30/07/2013	Technical Services	Barloworld Equipment	12 541.30	Sole provider of caterpillar equipment/machinery
30/07/2013	Technical Services	Barloworld Equipment	6 901.15	Sole provider of caterpillar equipment/machinery
12/08/2013	Technical Services	Espach Engineering	24 488.80	Strip & Repair- a truck was stripped first to determine the fault
06/08/2013	Municipal Managers	The institute of internal auditors	20 634.00	Conference of Institute of Internal Auditors
02/08/2013	Budget & Treasury	Arch Actuarial Consulting	9 690.00	Three(3) requested and only one responded to the request
07/08/2013	Municipal Managers	Kopano Bus Service	96 800.00	Non adherence to 7 days advert because of the urgency of the need to transport
06/08/2013	Technical Services	A-Tec	18 763.26	Strip and Quote, Service provider has to strip in order to determine the fault
15/08/2013	Technical Services	Barloworld equipment	11 816.56	Sole provider of caterpillar equipment/machinery
29/08/2013	Community Services	Truvelo manufactures	8 500.00	Calibration of speed camera by its manufacturer
23/08/2013	Mayors Office	Greater Lebowakgomo community radio	4 750.00	Only local community radio station attracting audience of Lebowakgomo area
28/08/2013	Corporate Services	University of Pretoria	192 000.00	MFMP Programme offerred by UP as approved by SALGA
29/08/2013	Budget & Treasury	Pay day	9 883.50	Payday is our provider for Payroll system and therefore offeres trainig related
23/08/2013	Municipal Managers	Zebedila FM	8 100.00	Only local community radio station attracting audience of Zebdiela area
25/09\2013	Budget & Treasury	Iniswa promotions	5 346.60	Non adherence to advertising for 7 days on notice board, due to urgency of the request
27/09/2013	Budget & Treasury	Twilight Travelling Agency	61 393.20	Non adherence to advertising for 7 days on notice board, due to urgency of the request
12/09/2013	Technical Services	Polokwane Equipment	49 260.08	Strip & Repair- a truck was stripped first to determine the fault

10/09/2013	Budget & Treasury	Pay day software system	8 000.00	Payday is our provider for Payroll system and therefore offeres trainig related
10\09\2013	Municipal Managers	Institutes of Internal Audit	4 127.94	Payment of annual registration fees for internal auditors as members
25/09/2013	Budget & Treasury	Boledi Tourism and Travel Agency	36 316.89	Non adherence to advertising for 7 days on notice board, due to urgency of the request
20/09/2013	Corporate Services	Today s Destiny	31 723.41	Strip and Quote, Service provider has to strip in order to determine the fault
12/09/2013	Community Services	Truvelo Manufacturers	2 640.94	Calibration of speed camera by its manufacturer
10/09/2013				
20/09/2013	Community Services	Institutes of Traffic and Municipal Police Officers(ITMPO)	7 429.00	Registration fees for LA Modiba-Annual membership
27/09/2013	Budget & Treasury	Institutes of Municipal Finance Officers(IMFO)	7 429.00	Registration of IMFO Conference
04/09/2013	Budget & Treasury	Institutes of Municipal Finance Officers(IMFO)	5 600.00	Registration of IMFO Conference
20/09/2013	Technical Services	Barloworld equipment	11 400.00	Sole provider of caterpillar equipment/machinery
25/09/2013	Budget & Treasury	Institutes of Municipal Finance Officers	7 429.00	Registration of IMFO Conference
12/09/2013	Corporate Services	Masana Lodge	46 860.00	Non adherence to advertising for 7 days on notice board, due to urgency of the request
12/09/2013	Technical Services	Espach Engineering	26 395.56	Strip & Repair- a truck was stripped first to determine the fault
30/09/2013	Corporate Services	Masana lodge	40 710.00	Non adherence to advertising for 7 days on notice board, due to urgency of the request
12/09/2013	Technical Services	Barloworld	10 378.56	Sole provider of caterpillar equipment/machinery
10/09/2013	Community Services	Institute of Traffic and Municipal Police(ITMPO) of Southern Africa	7 429.00	Registration fees for E Kgaase -Annual membership
20/09/2013	Municipal Managers	University of Pretoria(Gordon Institute of Business Science)	18 500.00	Auditing training offered by Gordon's Institute
10/10/2013	Corporate Services	Kgatla Attorneys	72 746.35	Non adherence to 7 days advert because of the urgency of the case
17/10/2013	Corporate Services	GreenSA Travel Agency	50 129.80	Non adherence to advertising for 7 days on notice board, due to urgency of the request
14/10/2013	Technical Services	Barloworld Equipment	20 764.07	Sole provider of caterpillar equipment/machinery

17/10/2013	Community Services	Department of Transport: Limpopo	5 870.00	Training on examiner of vehicles by an organ of state
23/10/2013	Corporate Services	Lebea & Associates Attorneys	120 339.80	Non adherence to 7 days advertising , however 3 quotations were obtained
21/10/2013	Budget & Treasury	IMFO	4 320.00	Registration of IMFO Conference
21/10/2013	Municipal Managers	Institute of Internal Auditors South Africa	3 410.00	Training on SCM by IMFO
17/10/2013	Budget & Treasury	Pay Day Software Systems	10 089.00	Payday is our provider for Payroll system and therefore offeres trainig related
17/10/2013	Corporate Services	SITA GOVTECH	14 240.00	Registration for GOVTECH Conference-SITA
22/11/2013	Mayors Office	Twillight traveling agency	40 663.60	Non adherence to advertising for 7 days on notice board, due to urgency of the request
29/11/2013	Mayors Office	Mapula Travel Agency	62 300.00	Non adherence to advertising for 7 days on notice board, due to urgency of the request
06/11/2013	Corporate Services	Ronewa Travel	35 500.00	Non adherence to advertising for 7 days on notice board, due to urgency of the request
22/11/2013	Budget & Treasury	Business Connection(BCX)	44 642.58	Licence renewal of financial system
22/11/2013	Technical Services	Zululand Steam Africa Pty Ltd	5 331.78	Strip & Repair- a truck was stripped first to determine the fault
28/11/2013	Mayors Office	Limpopo LED Resources Centre	65 999.98	Training offered by another organ of state-LEDET
22/11/2013	Community Services	ALVO-SAFE Pty Ltd	5 694.30	Sole Provider of Alchol tester
27/11/2013	Community Services	Lexisnexis	6 101.17	Supply of traffic books offered by Lexis Nexis
27/11/2013	Community Services	Workshop Electronics	14 192.40	Strip & Repair- a truck was stripped first to determine the fault
06/11/2013	Corporate Services	PC Mogale and co	13 377.19	Non adherence to 7 days advert because of the urgency of the case
22/11/2013	Community Services	Sparks and Ellis uniform	73 126.16	Non adherence to advertising for 7 days on notice board, due to urgency of the request
22/11/2013	Technical Services	Polokwane equipment	53 665.75	Strip & Repair- a truck was stripped first to determine the fault
22/11/2013	Corporate Services	The Kit Group	301 620.27	Emergnecy-three quoattions were requested instead of open bid
27/11/2013	Corporate Services	Bila ‘s Motors	3 739.20	Insurance excess claim car was refered by the Insurer
06/12/2013	Municipal Managers	Patong Guest lodge	2 123.00	Non adherence to advertising for 7 days on notice board, due to urgency of the request
04/12/2013	Community Services	Department of Roads and Transport	2 520.00	Course offered by another organ of state
04/12/2013	Corporate Services	IT Master	41 334.11	Non adherence to advertising for 7 days on notice board, due to urgency of the request
02/12/2013	Corporate Services	Westvaal Mokopane	2 113 325.14	Vehicles bought directly from dealerships after failing several time to procure through open process

15/01/2014	Corporate Services	Kgatla Incorporated	129 084.47	Non adherence to 7 days advert because of the urgency of the case
15/01/2014	Budget & Treasury	Human communications	65 416.67	Non adherence to advertising for 7 days on notice board, due to urgency of the request
22/01/2014	Budget & Treasury	Pay day software systems cc	11 012.40	Payday is our provider for Payroll system and therefore offeres trainig related
15/01/2014	Technical Services	Barloworld Equipment	4 959.31	Sole provider of caterpillar equipment/machinery
15/01/52014	Technical Services	Barloworld equipment	361.08	Sole provider of caterpillar equipment/machinery
16/01/2014	Technical Services	Barloworld equipment	1 731.58	Sole provider of caterpillar equipment/machinery
05/02/2014	Corporate Services	Bhamjee 's Sport Centre	29 060.00	Only service providers whose tax matters were in order
26/02/2014	Community Services	ITMPOSA	240.00	Regisrtation for traffic memberhip
12/02/2014	Budget & Treasury	Human communications	47 931.54	Non adherence to advertising for 7 days on notice board, due to urgency of the request
17/02/2014	Budget & Treasury	Big 5 distributors	5 965.05	Strip & Repair- a truck was stripped first to determine the fault
26/02/2014	Corporate Services	Basil civil construction	82 371.00	Emergency-Toilets not working
12/02/2014	Corporate Services	HP instant repair	1 781.02	Strip & Repair- a truck was stripped first to determine the fault
30/01/2014	Technical Services	Polokwane Equipment cc	31 884.69	Strip & Repair- a truck was stripped first to determine the fault
14/03/2014	Corporate Services	Predicate logistics Pty Ltd	53 226.37	Software provided by company that insalled database
06/03/2014	Budget & Treasury	Human communication	35 716.27	Non adherence to advertising for 7 days on notice board, due to urgency of the request
26/02/2014	Technical Services	600SA Group	5 916.93	Strip & Repair- a truck was stripped first to determine the fault
26/02/2014	Technical Services	Voltex Polokwane	10 642.13	Emergency-Xenophobic attack due to lack street lights
26/02/2014	Corporate Services	Pixelcam Trading	31 040.00	Repairing of cameras by company that insalled -for risk and security purposes
20/03/2014	Community Services	Truvelo manufactures	2 941.64	Calibration of speed camera by its manufacturer
21/02/2014	Community Services	The institute of waste management of Southern Africa	1 000.00	Seminar offered by IWMSA for waste management
18/03/2014	Community Services	Lexis Nexis	8 571.77	Supply of traffic books offered by Lexis Nexis
08/04/2014	Technical Services	Lekgomo Tyres	106 200.00	Invitation was made on the webiste and failed to attract relevant providers
25/04/2014	Corporate Services	Sunrise Panel Beaters	1 860.00	Insurance excess claim car was refered by the Insurer

29/04/2014	Corporate Services	Sunrise Panel Beaters	4 649.20	Insurance excess claim car was refered by the Insurer
25/04/2014	Corporate Services	Sunrise Panel Beaters	2 500.00	Insurance excess claim car was refered by the Insurer
29/04/2014	Corporate Services	Sunrise Panel Beaters	2 500.00	Insurance excess claim car was refered by the Insurer
14/04/2014	Budget & Treasury	Indwe Risk Services	114 853.01	Contract expired; temporary renewal pending appointment of new service provider
24/04/2014	Budget & Treasury	Indwe Risk services	114 853.01	Contract expired; temporary renewal pending appointment of new service provider
25/04/2014	Corporate Services	Nashua Limpopo	8 322.00	Photocopier is a Nashua brand and therefore we couldnt compare prices
31/03/2014	Technical Services	Polokwane Equipment	9 489.67	Strip & Repair- a truck was stripped first to determine the fault
08/04/2014	Planning & LED	Kopano Bus Services	79 010.00	Non adherence to 7 days advert because of the urgency of the need to transport
25/04/2014	Budget & Treasury	Iniswa promotions	32 273.40	Non adherence to 7 days advertising , however 3 quotations were obtained
03/04/2014	Planning & LED	Zebediela Community Radio Station	10 000.00	Only local community radio station attracting audience of Zebediala area
03/04/2014	Planning & LED	Greater Lebowakgomo community radio station	10 000.00	Only local community radio station attracting audience of Lebowakgomo area
31/04/2014	Technical Services	600SA	8 766.00	Strip & Repair- a truck was stripped first to determine the fault
02/04/2014	Technical Services	Barloworld Equipment	25 660.00	Sole provider of caterpillar equipment/machinery
02/05/2014		Greater Lebowakgomo Community Radio Station	6 000.00	Only local community radio station attracting audience of Lebowakgomo area
02/05/2014		MILLA SA	7 398.60	Annual rural development conference organised by MILLA SA
09/05/2014	Municipal Managers	Institute of internal Auditors	750.01	Annual membership fees for internal auditors
09/05/2014	Budget & Treasury	Institute of Municipal Finance Officers	12 870.00	Risk seminar/indaba offered by IMFO
06/05/2014	Community Services	Inter Municipal Sport of South Africa	5 000.00	Sports body on behalf of Deptmartment of Sports(organ of state no other quotes)
14/05/2014	Budget & Treasury	Institute of Municipal Finance Officers(IMFO)	4 430.00	Risk seminar/indaba offered by IMFO
16/05/2014	Budget & Treasury	Institute of Municipal Finance Officers(IMFO)	8 860.00	Risk seminar/indaba offered by IMFO

14/05/2014	Budget & Treasury	Institute of Municipal Finance Officers(IMFO)	4 430.00	Risk seminar/indaba offered by IMFO
02/05/2014	Budget & Treasury	Institute of Municipal Finance Officers(IMFO)	4 430.00	Risk seminar/indaba offered by IMFO
06/05/2014	Budget & Treasury	Institute of Municipal Finance Officers(IMFO)	4 430.00	Risk seminar/indaba offered by IMFO
06/05/2014	Budget & Treasury	Institute of Municipal Finance Officers(IMFO)	4 430.00	Risk seminar/indaba offered by IMFO
26/05/2014	Corporate Services	Kampherbeek Twine and Progrund	76 027.39	Non adherence to 7 days advertising , however 3 quotations were obtained
23/05/2014	Corporate Services	Masephule Dinga Commercial Attorneys	58 403.80	Appointed by Councl to preside over the case of Municipal Manager
27/05/2014	Technical Services	Padi Service Station	33 000.00	Emergency ; back-up generator diesel urgently required
21/05/2014		Limpopo Coaches	33 000.00	Non adherence to 7 days due to urgency of the transaction
21/05/2014	Mayors Office	Webber Wentzel Attorneys	653 710.08	Appointed by Council as an independant firm to prosecute during the case of Municipal Manager
21/05/2014	Corporate Services	Sita Pty Ltd	3 453.11	SITA is the only organ of state mandated to deal with ICT related matters
26/05/2014	Community Services	Ingwe management services	208 945.99	Emergency need for compactor trucks during mechanical breakdown of our trucks
27/05/2014	Planning & LED	Greater Lebowakgomo Community radio station	6 000.00	Only local community radio station attracting audience of Lebowakgomo area
27/05/2014	Planning & LED	Zebediela Community Radio station	14 000.00	Only local community radio station attracting audience of Zebediala area
03/04/2014	Planning & LED	Basadzi personnel	121 492.54	Non adherence to advertising for 7 days on notice board, due to urgency of the request
04/04/2014	Budget & Treasury	Pay Day Software Systems	18 000.00	Payday is our provider for Payroll system and therefore offeres trainig related
26/06/2014	Mayors Office	Ernest and Young	263 925.39	Appointed by Council as an independant firm to investigate Municipal Manager
23/06/2014	Corporate Services	Sunrise panel beaters	3 500.00	Insurance excess claim car was refered by the Insurer
12/06/2014	Mayors Office	Kopano Bus Service	54 200.00	Non adherence to 7 days advert because of the urgency of the need to transport

06/06/2014	Budget & Treasury	Institute of Municipal Finance Officers(IMFO)	2 012.00	Finance seminar offered by IMFO
06/06/2014	Budget & Treasury	Institute of Municipal Finance Officers(IMFO)	2 012.00	Finance seminar offered by IMFO
06/06/2014	Budget & Treasury	Institute of Municipal Finance Officers	8 048.00	Finance seminar offered by IMFO
06/06/2014	Planning & LED	Institute of Municipal Finance Officers	2 012.00	Finance seminar offered by IMFO
04/06/2014	Corporate Services	Glasfit Pietersburg	1 436.29	Insurance excess claim car was refered by the Insurer
13/06/2014	Corporate Services	SC Mdhluli Attorneys	133 166.22	Non adherence to 7 days advert because of the urgency of the case
30/06/2014	Community Services	LexisNexis pty LTD	6 905.55	Supply of traffic books offered by Lexis Nexis
06/06/2014	Community Services	Truvelo Manufactures	5 440.00	Calibration of speed camera by its manufacturer
13/06/2014	Mayors Office	Southern African Institute learning	159 600.00	Councillors training offered by SALGA
		TOTAL	**7 326 450.90**	

Appendix F
Contingent Liabilties as at 30 JUNE 2014

Date	Type of case	Summary of case	Name of parties	Authority that dealt with the case e.g. High Court	Amount involved	Outcome	Total cost to the Municipality	Law firm used	Date finalized
11 February 2011	civil case	the plaintiff instituted an action against the LNM for payment of damages calculated at R50 975.37 incurred as a result of the negligence on the part of LNM and construction entity, by failing to put the warnng signs and the said omossion led to the occurance of the accident of the plaintiff's vehicle.	SEKWELA EDWARD// LNM AND LEBAKA CONSTRUCTION	THABAMOOPO MAG	50 975.37	The matter is still pending.	50 975.37	MAMMULE CHIDI ATTORNEYS	in progress
25 March 2011	debt collection	LNM appointed the service of the attorney (Noko Maimela Attorneys) to render a debt collection on behalf of the municipality based on the collection commision remuneration but later the municipality terminated the appointment. The attorney has yet served the municiaplity with summons for payment of the legal costs incurred.	NOKO MAIMELA ATTORNEYS// LNM	NOT APPLICABLE	577 217.16	The matter is at Polokwane circuit High court	577 217.16	POPGRUND AND LEGODI	in progress
10 December 2012	civil case	the plaintiff alledges that LNM had unlawfully removed the erected fences and poles at unit B whilst the application for removal of those materials was and is pending at court. The palintiff claim the payment of R50 000 for each of 3rd to fifttieth plaintiffs	LEDWABA NDLOVU TRADITIONAL AUTHORITY AND OTHERS// LNM	NORTH GAUTENG HIGH COURT	2 400 000.00	The matter is still pending.	2 400 000.00	MOYO INC	in progress

10 December 2012	civil case	the plaintiff alleges that LNM had unlawfully and wrongfully turned the arable fields of Ledwaba community into a cemetery yard. As a result they claim damages of R50 000 for 10 peole	LEDWABA NDLOVU TRADITIONAL AUTHORITY AND OTHERS// LNM	NORTH GAUTENG HIGH COURT	500 000.00	The matter is still pending.	500 000.00	MAMMULE CHIDI ATTORNEYS	in progress
20/06/2011	civil case	On the 20/06/2011, the plaintiff instituted an action against the respondent for mandatory interdict compelling the LNM to restore the property that was dispossesed at Makotse and further claimining an amount of R17, 965 for legal fees and R100 000 for general claims	LEGODI FRANCINAH// LNM	THABAMOOPO MAGISTRATE COURT	117 965.00	The matter is still pending.	117 965.00	JEFF MATHABATH A INC	in progress
01 January 2014	civil case	The plaintiff instituted a legal action claiming an amount of R1 593 112.30 for construction services rendered. The municipality settled all the principal claim but plaintiff is now claiming the legal costs incurred.	SEOKODIBENG ALDABARI JV// LEPELLE NKUMPI MUNCIPALITY	POLOKWANE CIRCUIT HIGH COURT	90 773.59	The matter is still pending.	90 773.59	SC MDHLULI	in progress
01 January 2014	civil case	The plaintiff instituted a legal action claiming an amount of R70 741.54 as a result of accident solely caused by the employee of the municipality	NTSOANE// LNM	THABAMOOPO MAGISTRATE COURT	70 741.54	The matter is still pending.	70 741.54	SC MDHLULI	in progress
01 April 2014	civil case	the palintiff instituted a legal claim of R1 417 212-03 for the water materials delivered	MPELEHE AND PROJECTS// LNM	POLOKWANE CIRCUIT HIGH COURT	1 417 212.03	The matter is still pending.	1 417 212.03	MABOKU MANGENA ATTORNEYS	in progress
					5 224 884.69		5 224 884.69		

COUNCILLORS REMUNERATION	
0000/00/1/05/0010	ALLOWANCES
0000/00/1/05/0020	TRAVELLING